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FISCAL IMPACT STATEMENT

LS 6443
BILL NUMBER: HB 1313

NOTE PREPARED: May 18, 2011
BILL AMENDED: Feb 10, 2011

SUBJECT: Referendum taxes imposed in allocation area.

FIRST AUTHOR: Rep. Truitt
FIRST SPONSOR: Sen. Hershman

BILL STATUS: Enrolled

FUNDS AFFECTED: GENERAL
                       DEDICATED
                       FEDERAL

IMPACT: Local

Summary of Legislation: This bill provides that tax increment revenues for a tax increment financing (TIF) allocation area do not include property taxes that are imposed after being approved by the voters in a referendum or local public question.

Effective Date: Upon passage; March 1, 2011 (retroactive); January 1, 2012.

Explanation of State Expenditures:

Explanation of State Revenues:

Explanation of Local Expenditures:

Explanation of Local Revenues: Under current law, most building projects initiated by school corporations and local civil taxing units are subject to a public referendum. In addition, school corporations may seek additional property taxes for operating purposes through a referendum. All property tax levies imposed after being approved in a referendum are exempt from the circuit breaker caps.

Also under current law, the taxes paid on assessed valuation (AV) that exceeds the base AV in a TIF area is allocated to the redevelopment commission and is not distributed to local civil taxing units and school corporations. If the taxes to be paid on the allocated AV will exceed the amount needed by the commission for necessary expenses, then the commission must currently reallocate the excess AV back to the taxing units and schools.

In the case of a referendum in a TIF area, the referendum tax rate is treated like all other tax rates. So, the referendum taxes paid on the TIF AV are allocated to the redevelopment commission. If the commission finds that the allocated taxes with the referendum levy exceed necessary expenses, then the commission must reallocate AV back to the taxing units and schools. This reallocation has the effect of lowering the tax rate for all taxing units including the school corporation and increasing the levy generated in rate-controlled cumulative funds for those units.

This bill would affect taxes payable due to a referendum passed after April 30, 2010. It would be effective beginning with taxes payable in 2012. Under this bill, the taxes generated by a referendum tax rate in a TIF area would be paid directly to the civil taxing unit or school corporation that passed the referendum and not to the redevelopment commission. TIF proceeds would be maintained at their pre-referendum amounts. Reallocations of AV caused by excess taxes due to referenda would be eliminated (although reallocations may still occur for other reasons).

According to the Department of Local Government Finance (DLGF), 9 school corporations have passed operating referenda and 5 schools have passed construction referenda since May 1, 2010. One of these school corporations passed both an operating and a construction referendum, so a total of 13 school corporations have passed at least one referendum since May 1, 2010. Eleven of these 13 school corporations have a TIF area in their territory. No civil taxing units have passed any referenda.

Beginning with taxes payable in 2012, these school corporations and any other taxing unit or school that passes a future referendum would receive the full benefit from the referendum tax levy even if a TIF district is present. The effect on the referendum unit would be either higher referendum income or the opportunity to reduce the referendum tax rate.

State Agencies Affected: Department of Local Government Finance.

Local Agencies Affected: Local civil taxing units and school corporations; Redevelopment commissions.

Information Sources: DLGF website, www.in.gov/dlgf; Local Government Database; County auditor abstracts.

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